of the new Oklahoma law. Indeed it would have been very strange if some champion had not risen in his might and sought to discredit my fundamental arguments in some such manner as that used by Mr. Young. I think, however, that my indictment will still stand clear in the minds of all persons interested in sound banking principles, until my fundamental arguments are offset by much more convincing criticism than that voiced in the above reply by the Bank Commissioner of Oklahoma.

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WASHINGTON NOTES

The Tariff Bill in the Senate
Senator Aldrich's Majority
Abandonment of Cost of Production
The Philippine Tariff
The Treasury and the Revenue

The completion of the tariff bill by the Senate in committee of the whole, about the middle of June, and the lack of developments in the course of the discussion show how completely the leaders in the upper chamber had, before the measure was reported, perfected their plans for carrying it through. During the discussion of the bill in committee of the whole—the really crucial period in its history, while in the Senate—such changes as were permitted proved to have been of the slightest. No amendment has been specifically forced upon the controlling clique, the leaders having had throughout a substantial majority on their side. In practically every instance where the Finance Committee, headed by Senator Aldrich, had determined to secure the passage of a given clause or a rate, it has been able to control at least forty votes. The opposition, on the other hand, has seldom been able to show more than thirty votes, although occasionally two or three more have been registered. Other members of the Senate have been either paired or absent. Nominal changes from the draft of the bill as reported by the Senate Finance Committee have however been numerous. These changes may be grouped in three classes: (1) modifications intended to cut down duties shown to be excessively exorbitant, while still leaving the rate prohibitive or highly protective; (2) alterations intended to change the wording of some clauses in such a way as to adjust them to court decisions, rulings of appraisers, and changes

in processes of manufacture; (3) a series of changes practically forced by general public opinion and effecting actual reductions in rates that had been raised above the Dingley level. Of these classes of changes the third is the only one that presents any items of interest, and, even in this class, few or no changes are of real significance. The outcome of the deliberation in committee of the whole has thus been to leave the measure substantially what it was when reported, and to demonstrate the fact that its general level of duties is much above that of the Dingley Act. Such reductions as have nominally been made relate to those commodities which were already over-burdened with prohibitive tariffs. A considerable number of conflicting estimates of the actual number of decreases and increases carried by the Senate bill have been presented on the floor, and have been discussed with more or less partisan feeling. The outcome to date is the general recognition that while there are a large number both of increases and of decreases as compared with the Dingley rates the bulk of the imports is untouched either way while the increases represent a real advance on about $111,000,000 of imports and the decreases represent a purely nominal reduction on imports of about $66,000,000. This result has been brought about by clever and careful bargaining and trading designed to secure the requisite combination of votes for the passage of each schedule or paragraph.

How Senator Aldrich and his associates have succeeded in developing and maintaining the majority they required in order to secure acceptance of the tariff bill, is indicated by the composition of the majority upon various crucial ballots. Mr. Aldrich has been able at all times to be sure of the votes of a central core of "old-line conservatives." Among these have been uniformly found the senators from the New England States, those from New Jersey, Pennsylvania, and a few others. These would alone have been insufficient for the passage of the various paragraphs. In order to secure the necessary strength, it has been necessary, in the vote upon each of the several paragraphs, to induce a substantial number of other senators to cast their ballots for the measure. Those who have thus voted with the old guard have not invariably been the same in personnel. From time to time a considerable number of Democrats have supported the conservative Republicans while occasionally members usually enrolled in the ranks of the "insur-

gent" Republicans have also voted with the Finance Committee. Thus the backing of the main body of conservatives has fluctuated considerably, according to the local necessities of the various senators. At times it has seemed as if the opposition element, including the bulk of the Democrats and from ten to fourteen insurgent Republicans would be able to carry some proposal, but in practically every instance this expectation has been disappointed through the careful management of Mr. Aldrich and his co-workers. The clamant demands of local interests have prevented the opposition Republicans from maintaining a consistent body of support since they could rely neither upon all of their own members nor upon the united aid of the Democrats who have been fully as confused and inconsistent in their policy as have their Republican antagonists. The insurgent Republican organization has depended for its strength chiefly upon the states of the Mississippi Valley and of the Northwest. Neither Illinois nor Michigan has however been included, owing to the strength of the machine organization in those states. During the whole Senate discussion a large body of Democrats have been uncertain and unreliable in their policy as well as disposed to vote with the Republicans in time of need. The lack of a settled point of view has developed several interesting efforts at explanation of the Democratic attitude on the floor, chief among them being the "tariff for revenue" idea, which has been used as an apology for duties on raw materials like iron ore, petroleum, coal, and other commodities of the same class.

One of the striking developments of the Senate tariff debate has been the total abandonment of the idea of comparative cost of production as a regulator of tariff rates. Special significance should be attached to this change of front because of the former insistence upon the clauses of the Republican platform wherein the promise was held out that the rates of the new bill would not exceed differences in cost plus a fair profit, as well as because of Mr. Taft's interpretation of this provision to mean a "downward" revision of the duties. The abandonment of the cost of production idea has been conspicuously witnessed in a number of instances where the Finance Committee has declined to receive testimony of unquestionable character showing costs of production abroad, and where such costs when unmistakably developed on the floor in the course of debate have elicited no response and no heed from the

Finance Committee. In another way the rejection of the cost idea has been strongly emphasized. Early in the tariff discussion last fall, the administration secured from the German government an extensive report regarding German wages and costs in various branches of business and manufacture, with the idea that it might be of service in the process of revision. This report was submitted to the Finance Committee some weeks ago and showed that the testimony of many American manufacturers before the Ways and Means Committee of the House during the open hearings of last autumn (the only official tariff testimony thus far made public) was in many instances inspired by a desire to mislead or by ignorance of actual conditions abroad. It also demonstrated that costs abroad were in the majority of instances far higher than they had been represented by Americans who were desirous of securing high rates of duty. That being true the Finance Committee might have been expected to sift the evidence in the light of the facts thus obtained from the German government. Not only did Mr. Aldrich fail to do so, but he strenuously resisted the publication of the report although it was called for in a resolution presented by Senator LaFollette and passed by the Senate. In a heated debate on the floor on May 29 and 31 Mr. Aldrich and his associates sought to discredit the German government report but were finally forced into a practical rejection of the cost-of-production idea. The publication of the report itself, as well as an abstract of its contents presented by Mr. Aldrich (*Senate Document No. 74*, 61st Cong., 1st Sess.) has thrown some very useful light upon the question of comparative costs and has amply explained the reluctance of the Finance Committee to make known the contents of the document.

By way of completing the process of tariff revision, the House of Representatives has passed (May 24) the Philippine tariff bill intended to afford a new basis for the relations between the United States and the Philippines. This bill (H. R. 9135) contains a complete new tariff for the Philippines against all countries except the United States. Goods coming from the United States are to be admitted free—this in consideration of the admission of Philippine goods into the United States without payment of duty (importations of sugar being limited to 300,000 tons annually and tobacco and cigars to similarly specified quantities). The new

tariff represents a very substantial increase of duties over those which have prevailed heretofore, this increase being estimated as on the average from 10 to 15 per cent., although of course the rates of change are so variable as to make it impossible to give more than approximate estimates of general increase. Coming at the time when we are passing our own tariff and immediately after the expiration of the ten-year treaty with Spain whereby we guaranteed to that country equal privileges with ourselves in the markets of the Philippines, the new tariff signalizes the open acceptance of the policy of reserving the colonial market to ourselves. With an advantage of some 30 per cent. in insular competition, and with the widely extended system of export prices prevailing in the larger industries of the United States, it will be strange if we are not able to control the Philippine market in the interest of American goods. This will unquestionably mean higher prices in the Philippines than have heretofore been paid and leaves open the question how far an offsetting advantage will be derived from the less restricted entry granted to insular goods coming to the mainland. The failure of the United States to make any gratifying advance in trade with the Philippines has been influential in aiding the passage of the new Philippine tariff. An interesting feature of the bill itself is seen in the clauses fixing the rates on sugar and tobacco at the same levels as are established in the Payne-Aldrich bill. This has been done with the idea that danger of importations from the Dutch East Indies and elsewhere for the purpose of re-exportation to the United States will be materially lessened. A few other special changes designed to adjust the tariff to the Payne-Aldrich bill have been introduced by the House Ways and Means Committee, but otherwise the measure retains the form given to it by the group of insular officials who framed it in Manila after lengthy hearings.

Treasury developments during the past month or two have been of a character which point strongly to the necessity of new revenue legislation in the near future, additional to that probably to be passed by Congress at this session. The deficit for the current fiscal year is materially lower than had been anticipated, standing in round numbers at not far from $100,000,000, when some extra receipts are considered and certain adjustments have been made. Improvement in the general fiscal balance has been the

result of enlarged importations during the spring. Such importations have been variously explained, the most common analysis resting upon the supposed haste of importers to bring in goods prior to the passage of a materially advanced tariff. In the way of such an explanation stands the fact that the orders for the goods must have been placed, in most instances, before the probable advance in tariff rates became definitely established. Equally uncertain is the explanation which regards the enlarged importations as the result of rapidly advancing prosperity. In either case it is the judgment of the best instructed observers that the improvement in revenues can hardly be expected to continue much longer. With the opening of July the unprecedented appropriations made by Congress become effective and a heavy shortage during the first month of the fiscal year may be expected. This shortage will undoubtedly continue during the following months. With only about $62,000,000 in the banks at the middle of June and not much more than $42,000,000 of free cash in the Treasury, the department will be obliged during the first half of the fiscal year 1910 to draw heavily upon its surplus funds. Should present conditions substantially continue, the complete exhaustion of what is now left of the surplus may be expected to occur within a very few months. This will ultimately throw the government back upon loans to meet current expenses or necessitate quick relief in the shape of a new source of income. President Taft's efforts to secure a reduction of departmental estimates of expenditure for the fiscal year 1911 have been only moderately successful and it is plain that the pressure from Congress for large appropriations in several directions is not likely to be resisted next winter. The Treasury is already in a position which will preclude it from extending any assistance to the banks during the crop-moving season of the coming autumn and thus an acute fiscal and currency problem will be presented in Congress in December.